

PHILIP MORRIS MANAGEMENT CORP.

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TO: Please see below

DATE: June 26, 1987

FROM: Todd B. Sollis *TBS*

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SUBJECT: Product Liability Reform -- New Jersey

Last night the New Jersey Assembly passed a comprehensive product liability reform bill similarly passed by the New Jersey Senate two weeks ago. The bill passed 48-16, following a bitter debate, and will be sent to Governor Thomas Kean for his review. The Governor will have 45 days after receiving the bill to sign or reject it.

As previously indicated, the bill represents is a major revision of New Jersey law. It contains many provisions limiting causes of action based on defective products. Those of particular importance to Philip Morris are these:

- A manufacturer or seller will not be liable in the typical product liability case if the harm alleged results from an inherent characteristic of the product that is known to the ordinary consumer.
- The bill also provides limitations regarding claims based on inadequate warnings.
- The "risk utility" test for determining whether or not a product is defective is repealed.
- Punitive damages should be awarded only in cases of egregious conduct.
- The new law will apply to pending cases in certain respects but not to the extent that pending cases should automatically be dismissed.

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